GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:145
ANSWERED ON:25.11.2016
Allocation of Funds to States
Sawant Shri Arvind Ganpat

Will the Minister of FINANCE be pleased to state:

(a) whether modification in the allocation of taxes and duties between the Union Government and the States/UTs has led to delinking of many schemes from Union Government support and is so, the details thereof and the reasons therefor;
(b) whether this move has affected the fund flow for developmental projects of States/UTs and if so, the details thereof;
(c) whether some of the States have represented against the revised Central Taxes allocation and if so, the details of points/issues raised by them;
(d) the reaction of the Government thereon; and
(e) the corrective steps taken by the Government in this regard?

Answer

FINANCE MINISTER (SHRI ARUN JAITLEY)

(a) to (e): A Statement is placed on the table of the House.

Statement referred to in reply to Lok Sabha Starred Question No. *145 for answer on November 25, 2016 raised by Shri. Arvind Sawant, Member of Parliament regarding "Allocation of Funds to States".

The Fourteenth Finance Commission (FFC) after considering all factors, recommended enhancement in the share of the States in the divisible pool of Central Taxes and Duties from 32% to 42% with effect from 2015-16, which was accepted by the Union Government. The Explanatory Memorandum on FFC recommendations submitted to the President also brought out that the unconditional transfers of funds to states in the form of higher tax devolution will allow the states greater autonomy in financing and designing schemes as per their needs and requirements. In view of acceptance of the Fourteenth Finance Commission's recommendations of increasing States' share the Union Government decided to change the funding pattern of Centrally Sponsored Schemes.

Centrally Sponsored Schemes have been broadly divided into three categories i.e. (i) Schemes to be full supported by Union Government which are of national priorities, carrying legal obligations and especially meant for the poor; (ii) Schemes to be run with the changed sharing pattern having partial funding by both the Union & State governments; (iii) Schemes completely transferred to the States and delinked from Union Support. List of Schemes delinked from Union Support is enclosed as Annex 'A'.

The move has not affected the fund flow of the states as the States started receiving higher share in Central Taxes and Duties by 10%.

No State has represented against the acceptance of Fourteenth Finance Commission (FFC)'s recommended enhancement in the share of the States in the divisible pool of Central Taxes and Duties from 32% to 42%.

However, the Government received representations from states regarding changed pattern in the Centrally Sponsored Schemes (CSS). Government set up a Sub-group in NITI Aayog under the convenership of Sh. Shivraj Singh Chauhan, Hon'ble Chief Minister, Madhya Pradesh consisting of 12 members, including 10 Chief Ministers of various states, to examine the current Centrally Sponsored Schemes (CSS) framework and recommend sharing pattern and measures for streamlining, flexibility, reforms in Centrally Sponsored Schemes & coordination between the Centre and States for achieving the objective of the Schemes.

The Government has accepted the recommendations of the Sub-group and NITI Aayog on 17th August 2016 has issued modalities regarding rationalization of Centrally Sponsored Schemes (CSS) including their funding pattern. The approved funding pattern of the Centrally Sponsored Schemes (CSS) is as follows:

i. The existing funding pattern will continue for Core of the Core schemes.
ii. For Core Schemes, the funding pattern for the 8 North Eastern States and Himalayan States of Uttarakhand, Himachal Pradesh and Jammu & Kashmir shall be Centre: 90% and State: 10%, whereas for the rest of the States this ratio shall be Centre: 60% and State: 40%.
iii. For Optional Schemes, the funding pattern for the 8 North Eastern States and Himalayan States of Uttarakhand, Himachal Pradesh

and Jammu & Kashmir shall be Centre: 80% and State: 20%, whereas for the rest of the States this ratio shall be Centre: 50% and State: 50%.
iv. Ordinarily, no CSS will be sanctioned where the central share is less than 50%.
v. However, all the sharing patterns indicated above shall be subject to the proviso that if the central share is already below that indicated in the sharing pattern, then the Centre''s share would remain capped at their present level."

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Annex − 'A'
Schemes delinked from support from the Centre

1. National e-Governance Plan
2. Backward Regions Grant Funds
3. Modernization of Police Forces
4. Rajiv Gandhi Panchayat Sashaktikaran Abhiyaan (RGPSA)
5. Scheme for Central Assistance to the States for developing export infrastructure
6. Scheme for setting up of 6000 Model Schools
7. National Mission on Food Processing
8. Tourist Infrastructure